

COUNTY OF FAUQUIER, VIRGINIA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities – Governmental Funds
Fiscal Year Ended June 30, 2005**

		<u>Primary Government</u>
Net change in fund balances - total governmental funds	\$	(7,140,941)
<p>Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense, which is not a use of current financial resources. This is the amount by which the capital outlays exceeded depreciation in the current year.</p>		
Capital outlays	\$ 11,543,894	
Joint tenancy assets capital outlays	2,191,697	
Depreciation expense	<u>(2,525,367)</u>	11,210,224
In the statement of activities, only the gain (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.		(493,658)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add amortized bond payable premiums	38,647	
Add current year's deferred revenue	5,801,844	
Less prior year's deferred revenue	<u>(5,325,896)</u>	514,595
<p>Internal service funds are used by management to charge the costs of fleet maintenance and health insurance to individual funds. The net revenue of certain activities of internal services is reported with governmental activities.</p>		
		446,152
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
Add debt principal repayment	4,976,092	
Subtract debt proceeds	(3,720,000)	
Subtract premium on new debt	<u>(282,236)</u>	973,856
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>		
Less current year's compensated absences	(2,870,765)	
Add prior year's compensated absences	2,586,740	
Less current year's accrued interest payable	(1,150,781)	
Add prior year's accrued interest payable	<u>1,105,823</u>	(328,983)
Change in net assets of governmental activities	\$	<u>5,181,245</u>

The accompanying notes to financial statements are an integral part of this statement.